

Message Text

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PAGE 01 FREETO 02085 251516Z

42

ACTION EB-07

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L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

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UNCLS FREETOWN 2085

E.O. 11652: N/A

TAGS: EFIN IND EINV SL

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS: SIERRA LEONE

A. STATE 165596 B. FREETOWN 673 APRIL 11, 1974

C. FREETOWN A-38 MARCH 29, 1973

1. INVESTMENT CLIMATE--SIERRA LEONE: RECENT DEVELOPMENTS SUGGEST THAT THE GOVERNMENT OF SIERRA LEONE IS DEVELOPING A GREATER APPRECIATION THAN IT HAS DEMONSTRATED IN RECENT YEARS. OF THE POTENTIAL BENEFITS TO ITS ECONOMY OF DIRECT FOREIGN INVESTMENT. WHILE GOVERNMENT POLICY HAS OFFICIALLY ENCOURAGED DIRECT FOREIGN INVESTMENT, SUBJECT ONLY TO THE STATED POLICY THAT GOVERNMENT WOULD EVENTUALLY ACQUIRE 51 PERCENT OWNERSHIP IN ALL MINING VENTURES, BUREAUCRATIC LASSITUDE AND DILATORY TREATMENT OF INVESTMENT PROPOSALS HAVE FREQUENTLY FRUSTRATED THE EFFORTS OF POTENTIAL INVESTORS, EVEN IN NON-MINING SECTORS. NOW, HOWEVER, THE PRESSURES ON THE ECONOMY FROM HIGHER PRICES FOR PETROLEUM AND IMPORTED FOODSTUFFS HAVE IMPRESSED ON THE GOVERNMENT THE NEED FOR SIERRA LEONE TO INCREASE ITS EXPORTS AND HAVE LED THE GOVERNMENT UNCLASSIFIED

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PAGE 02 FREETO 02085 251516Z

TO LOOK MORE REALISTICALLY AT FOREIGN DIRECT INVESTMENT,

INCLUDING INVESTMENTS IN THE MINING SECTOR.

IN THE PAST YEAR, THE GOVERNMENT HAS REACHED AGREEMENT WITH AN AMERICAN-OWNED FIRM ON A RUTILE MINING VENTURE AFTER PROTRACTED AND DIFFICULT NEGOTIATIONS ON TERMS WHICH, IN AT LEAST THIS ONE INSTANCE, CONTRAVENE ITS PREVIOUS INSISTENCE ON THE RIGHT OF EVENTUAL MAJORITY OWNERSHIP. THE GOVERNMENT IS ALSO HOPEFULLY LOOKING FORWARD TO NEGOTIATIONS WITH THE SAME AMERICAN FIRM FOR THE TAKEOVER AND EXPANSION BY THE AMERICAN FIRM OF A PRESENTLY UNPROFITABLE IRON ORE MINING VENTURE. THE GOVERNMENT HAS ALSO RESTATED ITS RECEPTIVITY TO OTHER INVESTMENT PROPOSALS IN BOTH MINING AND OTHER SECTORS, NOTABLY TOURISM AND AGRO-INDUSTRIES. THE GOVERNMENT WOULD LIKE TO ATTRACT INVESTMENTS FOR DOMESTIC PROCESSING OF SIERRA LEONE'S AGRICULTURAL AND MINERAL EXPORTS.

THE STRENGHENED DESIRE TO ATTRACT NEW DIRECT FOREIGN INVESTMENT WILL NOT NECESSARILY MEAN THE END OF FRUSTRATIONS FOR POTENTIAL INVESTORS. BUREAUCRATIC INEFFICIENCIES ARE LIKELY TO REMAIN A PROBLEM. SIERRA LEONE'S SMALL MARKET AND NARROW BASED ECONOMY (DIAMONDS, IRON ORE AND AGRICULTURAL RAW MATERIALS) OFFER LITTLE ATTRACTION TO INVESTORS OUTSIDE OF MINING, FISHING, TOURISM AND PROCESSING AGRICULTURAL PRODUCTS FOR EXPORT. A SEVERE TRADE DEFICIT, AND INFLATIONARY PRESSURES CLOUD THE ECONOMIC FUTURE, BUT FOREIGN EXCHANGE PROCEDURES PERMIT REPATRIATION OF BOTH PROFITS AND CAPITAL.

2. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT: NO MORE RECENT FIGURES THAN THOSE REPORTED IN REF C ARE

AVAILABLE. AGREEMENT ON THE RUTILE MINING VENTURE MENTIONED ABOVE WILL, HOWEVER, INCREASE US DIRECT INVESTMENT IN THE MINING SECTOR BY ABOUT \$20 MILLION OVER THE NEXT TWO YEARS.

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PAGE 03 FREETO 02085 251516Z

B. DIRECT INVESTMENT BY ALL COUNTRIES IN SIERRA LEONE: NO MORE RECENT FIGURES THAN THOSE PUBLISHED IN THE OECD'S "STOCK OF PRIVATE INVESTMENTS BY DAC COUNTRIES IN DEVELOPING COUNTRIES, END 1967 ARE AVAILABLE IN SIERRA LEONE. THESE FIGURES CONTRADICT THE MORE RECENT FIGURES GIVEN IN REF C FOR US DIRECT

INVESTMENT WHICH ARE BASED ON EMBASSY ESTIMATES.

C. DIRECT INVESTMENT IN US BY SIERRA LEONEANS:

NEGLIGIBLE.

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